

STATE OF CALIFORNIA



California Energy Commission



California Public Utilities Commission

NOTICE OF JOINT WORKSHOP BETWEEN THE ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION AND CALIFORNIA PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (CPUC) and California Energy Commission (Energy Commission) will conduct a joint workshop on topics related to the 1990 electricity sector baseline development, current entity-specific greenhouse gas (GHG) emissions levels, and policy issues related to entity-specific allowance allocation. Energy Commission Commissioners may attend and participate in the workshop. Due to the short timeframe, comments are not requested before the workshop. Instead, written comments will be solicited after the workshop, based on workshop discussions.

Questions regarding the workshop should be directed to Steve Roscow of the CPUC Energy Division (415-703-1189, scr@cpuc.ca.gov) or Daryl Metz of the Energy Commission Electricity Analysis Division (916-654-4760, dmetz@energy.state.ca.us).

FRIDAY, JUNE 22, 2007

10 a.m.

CALIFORNIA ENERGY COMMISSION

1516 Ninth Street

First Floor, Hearing Room A

Sacramento, California

(Wheelchair Accessible)

Audio from this meeting will be broadcast over the Internet.

For details, please go to:

www.energy.ca.gov/webcast

To participate in the meeting by phone,
please call 888-469-2082 by 9:55 a.m.

Passcode: WORKSHOP Call Leader: Marc Pryor

Overview of Workshop Topics

Baseline Development

The joint CPUC/Energy Commission proceeding will discuss two distinct questions related to determining the allowable levels of GHG emissions for the electricity sector at large and for individual load-serving entities. First, the California Air Resources Board (ARB) will present the steps they are taking to finalize the 1990 emissions inventory, including the emissions contribution from the electricity sector, to support adoption of the statewide 2020 emissions reduction goal as required in AB32. Adoption of the 1990 baseline is the authority of ARB and ARB has a separate rulemaking process underway to address this issue. Therefore, the primary purpose of this discussion at the workshop is for coordination and clarity. In particular, parties will be able to ask clarifying questions during the workshop about ARB's process and steps to finalize the 1990 statewide emissions inventory, as well as the underlying analysis of the electricity sector emissions that are part of the inventory. We will also discuss broadly whether parties have concerns about the 1990 inventory process that may warrant the CPUC and Energy Commission jointly providing recommendations to ARB as it considers this matter. The CPUC and Energy Commission may solicit more detailed written comments from parties at a later date after the workshop.

Second, the workshop will discuss methods that may be used to develop current emissions levels for each load-serving entity in California. This proceeding will develop current GHG emissions levels for each load-serving entity by examining individual entities' recent historical emissions profiles. The current emissions levels that are developed will be considered, along with other factors, for recommendations to ARB regarding each entity's allowable GHG emissions. Entity-specific emissions also must be developed for purposes of modeling the electricity sector impacts of potential GHG emissions cap scenarios. As noted in the February 2, 2007 Assigned Commissioner's Ruling and Phase 2 Scoping Memo, 1990 emissions levels will not be developed for individual entities.

Entity-Specific Current Year and Future Allowance Allocation

This workshop will address how to allocate annual emissions allowances under a load-based cap to individual entities. In addition, it will examine whether the electricity sector needs special rules or processes as part of ARB's administration of the allowances allocation. The workshop will discuss the policy issues surrounding entity-specific current year emissions, credit for early action, options for acknowledgement of different existing levels of embedded investments in efficiency and renewables (and/or diversity of resource mix generally), allocation alternatives, and structure of allowances. Issues about the potential use of auctions to replace all or part of an allocation process will be addressed later in the proceeding.

Pre-workshop Questions

Workshop attendees should be prepared to address the following questions:

I. 1990 Electricity Sector GHG Emissions

1. While 1990 GHG emissions for the electricity sector are being addressed in ARB's current rule-making, are there any electricity sector-specific issues that may warrant submission of joint CPUC/CEC recommendations to ARB? Have these issues been raised at ARB?

II. Current Entity-Specific GHG Emissions

Questions about selection of current period

2. How should the "current" period be defined for the purposes of establishing "current entity-specific GHG emissions" in the electric sector (i.e, one specific year, or a multi-year period)? Please provide supporting rationale for your recommendation.
3. If a single year is selected, which year should it be and why?
4. Are there characteristics of the electricity sector which suggest that a multi-year average would be a better starting point, such as weather and hydro availability variations? If so, which year(s) would you recommend?
5. Regardless of which current year or years we choose, some providers will have had unusual conditions in that year. How should such "unusual conditions" be defined or limited? What adjustments, if any, should be made for providers with "unusual conditions"?

Questions regarding the California Climate Action Registry (CCAR) and current entity-specific GHG emissions

There appear to be two possible approaches to establishing "current entity-specific emissions" in the electric sector. One starting point for those entities which voluntarily participated in the CCAR in 2004, 2005, or 2006, may be the data reported to the CCAR.

6. If you are a load-serving entity, are you a member of the CCAR?
7. If you are a member of the CCAR, please identify the years for which you have provided complete emissions data to CCAR, and how you are updating any outstanding information needs of CCAR.
8. How much of your GWh and emissions inventory are from unspecified purchases? Which of the measurement options did you use to estimate the emissions factor for unspecified purchases? Parties should understand that the rules for counting unspecified purchases may change, so what they reported to the CCAR may not be the final version of their post-2003 emissions.

9. What recommendations do you have for calculating early action credits that should be included in the allocation?
10. If you believe that other modifications to the CCAR reporting conventions should be adopted to identify current entity-specific GHG emissions, please (1) state each reason for your opinion and (2) recommend how the issue you identify can be addressed.
11. Is CCAR data for those who participated and SB 1305 Net System Power data for those who did not participate in the Registry sufficient to be used in the modeling project?

Comments/Questions regarding the Energy Commission and current entity-specific GHG emissions

A second possible starting point for estimating current entity-specific emissions may be the SB 1305 Power Source Disclosure data collected and maintained by the Energy Commission. Although some information reported under this program is voluntary, most investor- and publicly-owned utilities participated. Retailers reported specific purchases and used Energy Commission supplied estimates for the net system power content for non-specific source resources. The Energy Commission estimated net system power content as the gross system power mix less the claims of specific purchases and self generation.

12. Please comment on the approach outlined above.
13. Please express any other specific concerns you have about the estimation of current entity-specific emissions.

III. Entity-Specific Allowance Allocation

In Decision (D.) 06-02-032, which was issued prior to the passage of AB 32, the CPUC addressed the allocation of GHG allowances, and noted that “there are basically two options for distributing GHG emissions allowances to LSEs. The first option is to have an administrative allocation. The second is to have an auction where LSEs with obligations bid for the GHG emissions allowances.” The CPUC further stated that “based on the record in this proceeding, our preference is to allocate allowances administratively, based on some combination of the factors listed by Natural Resources Defense Council (NRDC): number of customers, percentage of statewide retail sales, and historical emissions.” However, the CPUC also stated its intention to have further discussion on this issue in this phase of the proceeding.

With the passage of AB 32, the scope of California’s GHG reduction efforts has been extended beyond the electricity sector. Thus, the additional discussions anticipated in D.06-02-032 will now take place in the context of statewide allocation questions as well as sector-specific issues.

Questions about methods to administratively assign allowances

14. Various allocation methods have been proposed in assigning entity specific allocations. These include benchmarking, cost of compliance, grandfathering and others. If entity-specific GHG emissions for the electric sector were administratively assigned, what method or methods should be used?
15. Are there other factors that should be considered as the basis for potential entity specific allocations, for example the existence of long term contracts? If it is appropriate to initially base allocations on current emissions ("grandfathering") because of the limited ability of providers and generators to respond, is it appropriate to reduce the importance of historical emissions in the calculation of allowances as providers respond to the need to reduce GHGs? For example, is it appropriate to increase the importance of load as a basis of the allocation of allowances?
16. To what extent should differing levels of regulatory mandates (e.g., for renewable portfolio standards, energy efficiency investment, etc.) be taken into account in determining entity-specific obligations going forward?
17. In the calculation of the 1990 baseline, the Energy Commission estimated emissions associated with imports from out of state by estimating average emissions per kWh in the NW and SW based on overall emissions, excluding emissions that could be associated with specific out-of-state resources. Is this approach adequate for establishing "current entity-specific emissions"?
18. If allocations are based on load, population, or other evolving factors, how often should the allocations be updated?
19. Publicly available data on the existence and nature of contracts between generators and retail providers and other entity specific information is limited. Is the publicly available information sufficient to allocate the emissions from a generator to retail providers for the purposes of establishing "current entity-specific GHG emissions"? If the publicly available information is not sufficient, how can the possible need for confidentiality be addressed while maintaining a transparent process?

CPUC/CEC Workshop:

**1990 electricity sector baseline,
Current entity-specific GHG emissions levels and
Policy issues related to allowance allocation**

June 22, 2007, 10:00 a.m.
California Energy Commission, Hearing Room A
1516 Ninth Street
Sacramento

This workshop will address:

- (1) The California Air Resources Board's process for development of the 1990 emissions baseline, and related underlying assumptions for the electric sector;
- (2) Current entity-specific GHG emissions levels; and
- (3) Policy issues related to entity-specific GHG emission allowance allocation

Draft Agenda	
10:00 am to 10:15 am	Introductions, Purposes of Workshop, and Agenda Julie Fitch, California Public Utilities Commission Karen Griffin, California Energy Commission
10:15 am to 10:45 am	Presentation by ARB and clarifying questions, plus parties' open issues on ARB's development of the 1990 baseline <ul style="list-style-type: none"> • Presentation by ARB • Discussion
10:45 am to Noon	Discussion of current entity-specific GHG emissions levels for modeling purposes and as a factor in entity-specific allowance allocations <ul style="list-style-type: none"> • CCAR methodology • Energy Commission methodology
Noon to 1:00 pm	LUNCH BREAK
1:00 pm to 2:30 pm	Continue discussion of current entity-specific GHG emissions levels
2:30 pm to 2:45 pm	Break
2:45 pm to 5:00 pm	Discussion of policy issues related to entity-specific allowance allocation
End of Day	Wrap-up and Next Steps